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Georgia State University
University Plaza • Atlanta, Georgia 30303
Economic Forecasting Center
College of Business Administration
404/651-3282

MONTHLY PROJECTIONS
September 1988

Dr. Donald Ratajczak, Director
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OPEC DISARRAY DELAYS INFLATIONARY SPURT

Just when rising wages from tightening labor markets and higher food prices from the drought appeared to increase inflationary prospects next year, overproduction of oil by Persian Gulf nations led to a sharp unseasonal drop in oil prices just prior to the heating season. Indeed, production in September was estimated at 20.8 million barrels for the OPEC nations when only 20 million barrels will be needed to meet consumption in the middle of winter. Thus, excess inventories have frightened the oil industry, with Texas crude falling to $13 per barrel early in October.

Two related factors appear to be responsible for this overproduction. First, both Iran and Iraq wish to increase production in order to rebuild their economies during the current ceasefire. By itself, this increased production would have a slight downward impact upon prices. Second, Saudi Arabia, in an attempt to punish violators of OPEC production quotas has sharply increased its own production. This is an obvious attempt to demonstrate that production cheaters will not be able to garner increased revenues from their actions because Saudi Arabia will counter their excess production with increased production of its own. The Saudis are hoping that this will encourage OPEC producers to abide by production quotas.

However, the political factors motivating Iran and Iraq will not permit them to abide by Saudi discipline for any period of time. Thus, periodic production cheating with periodic intervention by Saudi Arabia is anticipated through next year.

In the near-term, the approach of the heating season and the likelihood of further production agreements in the next OPEC meetings probably guarantee that some improvement in oil prices will develop. Nevertheless, oil probably will trade only near $14 per barrel during the heating season. This is down nearly $4 per barrel from what had been anticipated in the previous quarterly forecast.

As a result of this decline in oil prices, the cost of oil shipped into the United States will decline by $10 billion over the next year from what otherwise would be the case. Thus, price reductions created by turmoil in the oil markets nearly offset the inflationary pressures generated by the drought. Moreover, most of the drought's impact already has been registered upon prices. Therefore, consumer prices probably will slow to an increase of only 4% until oil prices reach their low point following the heating season in late winter. Also, the reduction in oil prices probably will restrain price increases for other industrial materials until next summer. This suggests more moderate inflationary pressures next year, about a half percent less, than had previously been anticipated.

Two favorable events can be expected as a result of this shift in oil pricing. First, reduced inflationary pressures probably will stay the hand of the Federal Reserve, at least until industrial inflation resurfaces next spring. This means a period of stability in short-term interest rates into the spring. Moreover, the absence of further tightening by the Federal Reserve may reduce interest rate fears, leading to slightly lower yields on long-term government bonds.

Second, the decline in oil prices will rebuild purchasing power in consumer pocketbooks that had been extracted as a result of the drought. Therefore, slightly stronger consumer activity should be anticipated over the next six months than originally expected. With interest rates also remaining stable, construction activity may perform slightly stronger than had been anticipated. Thus, the reduction in inflationary conditions as a result of oil price declines probably will be largely translated into increased real economic activity.

Eventually, this slight rebound in economic growth will further tighten labor markets and create further price pressures for industrial materials. Thus, inflationary fears merely are postponed rather than reversed. Nevertheless, economic growth will remain moderate throughout 1989 as the Fed will not be called upon to restrain economic activity until the middle of the year.

One caveat with this outlook is the position of the dollar. When most analysts feared that the economy was overheating and inflationary pressures were intensifying, foreign investors took this prospect to mean that the Federal Reserve would restrain reserve growth and encourage higher short-term interest rates. As a result, they felt safe in holding dollars. The recent sluggishness in economic activity along with the latest decline in oil prices raises a distinct possibility that Federal Reserve tightening will be delayed for three to six months. The absence of higher short-term interest rates has reduced confidence that the dollar will retain its value. Thus, the dollar now is again weakening significantly against other currencies.

In an apparent Catch-22 position, when interest rates were expected to rise, a stable dollar reduced the need for the Federal Reserve to encourage higher interest rates. Now that interest rates are expected to fall, reduced attractiveness of the dollar has raised the possibility that the Federal Reserve may need to encourage higher interest rates to reduce inflationary fallout from a declining currency.

Fortunately, Chairman Greenspan is not as concerned about the inflationary impact of weak currency markets as was the case under Paul Volcker. Therefore,

the dollar probably can fall to the December lows of 120.5 yen before any Federal Reserve action to stem the dollar's weakness would be forthcoming. Investors may reverse their thinking as a result of Federal Reserve inaction and again support the dollar before that point is reached. Nevertheless, some vulnerability of the dollar could lead to an earlier increase in interest rates than currently anticipated.

Quarterly Profile of GNP

	1988-2	1988-3	1988-4	1989-1	1989-2	1989-3	1988 Annual	1989 Annual
Real:	3.0	2.0	2.4	4.1	2.2	1.6	3.9	2.7
Price:	5.5	4.6	3.5	4.1	4.7	5.3	3.2	4.4
Nominal:	8.5	6.7	6.1	8.4	7.1	7.0	7.1	7.2

Monthly Statistical Highlights for September 1988

Personal income +0.8%; savings rate 4.3%; personal consumption +0.3%; housing starts +2.3%; housing permits -2.5%; construction expenditures +1.0%; business inventories +0.5%; orders for durable goods -0.5%; orders for non-defense capital goods -3.5%; CPI +0.4%; consumption deflator +0.4%; leading indicators +0.1%; currency index -0.4%; equity index +3.6%; real GNP(AR) +1.2%; M1(AR) +2.3%; M2(AR) +1.9%.

Monthly Statistical Highlights for October 1988

Payroll employment +229,000; index of hours worked +0.2%; household employment +314,000; civilian unemployment rate 5.3%; personal income +0.6%; savings rate 4.3%; personal consumption +0.6%; retail sales +0.7%; auto sales 10.4 million units; housing starts -0.4%; housing permits -1.9%; construction expenditures +0.2%; business inventories +0.4%; orders for durable goods -1.7%; orders for nondefense capital goods -1.9%; industrial production +0.3%; CPI +0.3%; PPI +0.3%; consumption deflator +0.3%; leading indicators +0.3%; currency index -3.8%; equity index +4.3%; real GNP(AR) +3.0%; M1(AR) +4.7%; M2(AR) +4.7%.

Commentary

Employment - The latest employment survey showed a continuation of the economic stall that developed in August. While payroll employment was up 255,000, about 115,000 was the result of increased school teachers. Sampling errors or seasonal adjustment problems probably accounted for the bulk of these teacher job estimates. Manufacturing jobs declined for a second consecutive month. The workweek increased, but industrial production and personal income reports for August strongly suggest that the dip in the workweek last month was an aberration. Thus, the strong rebound in the index of hours worked should be completely discounted. In addition, a downward revision in July to only a 169,000 payroll increase suggests that sluggishness probably began a little sooner than pre-

viously anticipated. If this weakness is the result of slow export activity, as expected, some rebound already should be anticipated next month. The hourly earnings index rebounded a strong 0.5% and is now 3.3% above previous year levels. This gradual acceleration in wage pressures suggests that unemployment at 5.4% may be approaching the natural unemployment rate. Of course, increasing inflationary fears also may account for increased wage pressures.

Personal Income and Outlays - Sluggish gains in wages and a further reduction in farm income in August led to minimal increases for personal income. A rebound in farm income should be expected in September. In addition, the increase both in hours worked and in hourly earnings should lead to a sharp increase in wage and salary activity.

Better-than-anticipated auto sales in September are leading to stronger gains for consumer durables in September than originally anticipated. Continued increases in food prices along with a slight rebound in apparel purchases should lead to some strengthening of nondurable activity. On the other hand, the return to more normal weather following an unusually hot summer should substantially reduce the purchase of utilities, leading to only a very modest increase in service expenditures. Nevertheless, third-quarter consumption expenditures are stronger than had been anticipated in our quarterly forecast.

A decline in auto sales is expected with the higher sticker prices in October, but consumers appear to have both the capability and desire to maintain relatively strong auto sales. As a result, our estimate of auto sales activity has been revised upward for next year. Oil prices will have a slowing effect upon nondurable sales in the next few months as gasoline prices decline. However, rising food prices and a modest rebound in clothing purchases should lead to higher nondurable sales than originally anticipated.

Construction - Sales of single-family homes showed a modest rebound in August after an upward revision in their performance in July. As a result, inventories are only 6.3 months of current sales, which is satisfactory. Apparently, fears of higher mortgage rates once again have stimulated housing activity. This should lead to a slight rebound in single-family starts. In addition, reduced inflationary pressures as a result of falling oil prices may actually cause a modest decline in mortgage rates in the winter. Therefore, our estimates of single-family starts have been revised upward over the next six months. When the Fed restrains credit expansion in the spring, some slowing in housing starts will again appear.

Of course, stronger housing activity than originally anticipated leads to continued growth in residential construction through the winter. On the other hand, public construction has been significantly revised downward in recent months. While some rebound in public construction is expected, activity probably will grow more slowly than anticipated in the quarterly analysis. Similarly, a downward revision in nonresidential construction probably will persist into next year. However, increases in industrial construction should be sufficient to generate a slight upward trend in the dollar-value of nonresidential construction. It is noteworthy, however, that the F.W. Dodge measures of construction orders remain 3% below previous year levels.

The construction cost index has been revised downward significantly from previous reports. Indeed, construction costs actually declined slightly in August. This will be a significant contributing factor in restraining infla-

tionary pressures in the construction sector of the economy. Some rebound is expected, but weak demand for construction product limits the degree to which inflationary pressures can be generated in construction materials and land prices.

Business Activity - Early shipments of new model automobiles kept strong pressures upon orders for nondefense capital goods. As automobiles are counted both as orders and shipments when they are shipped from the manufacturer, this also led to significant increase in capital shipments. The gap between orders and shipments currently is unusually wide and probably will necessitate some slowing in orders in the months ahead.

Defense orders also rebounded slightly as anticipated, but orders remain slightly below shipments in August. Thus, a further increase in defense orders is possible in September. Shipments should gradually rebound but no dramatic increases currently are expected in shipments of defense goods over the next twelve months.

Industrial production did not exhibit the degree of weakness that would have been anticipated by the dip in the workweek in August. As a result, it did not show a rebound merely because hours re-established their July levels. A slight increase in the assembly of automobiles along with some improvement in the production of business equipment offset weakness in utility production as the weather shifted to more normal patterns.

Prices - The drought continued to dominate prices for consumer nondurables in August. However, by October, reduced petroleum product will significantly slow prices in that sector. On the other hand, automobile prices initially were dramatically higher. Consumer reception was so cool that incentives already have materialized. Because of this additional incentive activity, automobile prices probably will grow at a slower rate in the next few months than had originally been anticipated. On the other hand, increased wage pressures probably will be reflected in higher prices for consumer services than had originally been intended. The net effect of all these price adjustments is a slightly slower rate of inflationary pressures as measured by the consumption deflator than originally thought. This also means that CPI-U will grow slightly below 5% in the twelve months of 1989 rather than approaching 5.5%, which had been thought prior to the disarray in OPEC production. Moreover, price increases for finished goods in the PPI index will be more modest than had previously been expected. On a December-to-December basis, the increase next year should be less than 4%.

Miscellaneous - Falling claims, a rebound in the workweek, and some strength in stock prices all should lead to improvement in the leading indicators for September. However, a continuation of strong consumer orders is unlikely. Also, building permits probably will be down and real money balances will shrink again for the third consecutive month. The net effect of all these adjustments is a relatively modest change in the leading indicators.

Of greater concern is a significant rebound in the merchandise trade deficit. As expected, much of the recent change in that index has been the result of reducing excess inventories of imported goods. This process ended in August. In addition, the volume, if not the price of petroleum is again rising. If exports continue to tread water, as they have done since March, a significant rebound in the merchandise trade balances could be anticipated. On the other hand, this rebound should be relatively short-lived.

Nevertheless, some deterioration in the trade deficit at a time when it appears that the Federal Reserve will not be raising interest rates probably will exert substantial pressure on the dollar versus other currencies. Thus, a test of the currency lows that were developed in December 1987 is not out of the question over the next several months. If the dollar's decline is too swift, the Federal Reserve may be forced to abandon its current wait-and-see attitude and force short-term interest rates upward to prevent a freefall in the dollar. Such an outcome is not anticipated at the present time, but it also cannot be ruled out.

Because of slight increases in nominal GNP and significant slowing in interest payments, adjusted profits grew more sharply than originally anticipated. This rapid growth in adjusted profits along with a period of stall in interest rates should lead to a relatively friendly stock market over the next several months. Of course, interest rates can reverse course as a result of currency problems. But conditions appeared to be relatively favorable for a significant increase in stock market prices into the beginning of next year. At that time, rising interest rates and slower economic growth should combine to cause the twin devils of falling profitability and rising interest rates. Thus, the rebound in stock values appears to be temporary and should be reversed early in 1989.

Financial Markets

Household savings have fallen slightly in August following attempts to improve savings positions earlier. Some rebound in savings is anticipated over the next several months as consumers no longer will be forced to pay higher utility bills and as gasoline prices fall. On the other hand, stability in mortgage rates probably will increase housing expenditures. Thus, household net savings may only increase marginally in the months ahead.

The government deficit appears to be stalled at about $150 billion. Little change in that deficit appears to be developing next year. Sluggish growth in some local economies, especially the energy states, could lead to some budgetary crisis there. As a result, the consolidated budgets of both the federal and state and local governments could exhibit a slight increase in deficits.

As a result of the current stall in export activity, corporate activity also has begun slowing. Corporate profitability could fall, while inventories may rise slightly as demand remains modest. This could exert some upward pressures on interest rates from the corporate sector. However, corporations have handled their inventory problems well. As soon as sluggishness developed, industrial activity slowed. Thus, any stress borrowing by the corporate sector in the fourth quarter should be modest. In 1989, a slight rebound in activity is expected early in the year, which could lead to increased inventory holdings relative to cash flow gains. Then, when sales slow by mid-year, some involuntary inventory accumulations may develop. As a result, more significant borrowing needs by the corporate sector may surface.

When the domestic sector use and need for funds is consolidated, the result is no clear direction for interest rates in the fall and winter months followed by moderate increases in interest rate pressures in the spring and summer.

Of course, the influence of foreign capital flows will more significantly determine the direction of interest rates in this environment. The dollar now

appears to be weakening slightly, which probably will reduce the desire of foreign investors to place funds in the United States at prevailing rates of interest. This could exert a slight upward tendency upon interest rates late in the fall and during the winter. If the dollar falls further as inflation reaccelerates in the spring, as expected, currency weakness could coincide with domestic pressures upon credit markets. The result could be a relatively significant increase in interest rates, but this almost certainly will be delayed until late next spring or summer.

During this period, the Federal Reserve probably will maintain stability in short-term interest rates. With inflationary pressures moving down and with only slight sector exertions toward higher borrowing costs, long-term interest rates might actually decline modestly. However, the interest rate pattern probably will reverse direction in the spring, even if the Federal Reserve does not respond. When inflationary pressures intensify in the spring, the Fed will respond and significantly higher short- and long-term interest rates then will develop.

Equity Markets - Although sluggish economic growth could shrink corporate profitability slightly, enough economic growth appears to be in place to prevent any serious erosion of profits. Furthermore, the decline in oil prices will reduce the inventory valuation adjustment. As a result, the quality of profits will improve slightly. A slight uptrend in genuine profits along with a decline in long-term interest rates almost always leads to some improvement in equity values. Thus, stock prices probably will rise through the remainder of this year and may also increase early next year. When inflation intensifies and interest rates increase by the spring, however, the equity markets should turn down. Moreover, tightening Federal Reserve activity followed by increasing economic sluggishness should lead to some weakness in equity values. Although the current anticipated rebound in equity values is the result of a stall in the upward direction of interest rates, interest-sensitive securities should not outperform the remainder of the market. After all, the longer-term trend for interest rates still appears to be upward. Rather, issues of companies in capital equipment, international commerce, and industrial materials should show most of the gains. Consumer issues probably will lag the market, at least until sluggishness becomes more apparent early next year.

The Dow Jones Index currently is expected to move above 2200 and may even approach 2300 before the end of this year. The market then probably will peak and begin declining before the spring of 1989.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1988	105281	105281	125.1	125.1	114713	114713	5.4	5.4	178.0	178.0
May	105502	105489	124.4	124.4	114195	114195	5.6	5.6	178.6	178.7
June	105848	106057	125.3	125.4	115018	115018	5.3	5.3	178.5	178.6
July	106075	106257	125.6	126.4	115127	115059	5.4	5.4	179.3	179.3
August	106295	106476	125.9	125.5	115226	115180	5.4	5.6	180.1	179.4
September	106560	106754*	126.1	126.4*	114974	115580*	5.3	5.4*	180.8	180.0*
October	106753	106983	126.3	126.7	115543	115894	5.3	5.3	181.3	180.6
November	106900	107158	126.5	127.0	115881	116040	5.3	5.3	181.8	181.3
December	107048	107352	126.7	127.2	116220	116245	5.2	5.3	182.4	182.0
January 1989	107309	107546	127.0	127.4	116489	116448	5.1	5.2	183.2	182.6
February	107627	107759	127.4	127.6	116750	116685	5.0	5.1	184.0	183.1
March	107948	107963	127.7	127.9	117012	116885	5.0	5.1	184.8	183.7
April	108062	108152	127.8	128.1	117143	117099	5.1	5.1	185.3	184.5
May	108174	108326	128.0	128.2	117292	117318	5.0	5.0	185.9	185.2
June	108290	108511	128.1	128.4	117453	117513	5.0	5.0	186.4	185.9
July	108483	108664	128.3	128.6	117638	117708	4.9	5.0	187.2	186.5
August	108754	108814	128.6	128.8	117837	117907	4.9	5.0	188.0	187.3
September	109021	108895	128.8	129.0	118030	118001	4.9	5.1	188.8	188.0

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1988	3.996	4.001	2.394	2.394	89.5	97.9	3.352	3.358	3.263	3.260
May	4.014	4.021	2.407	2.408	152.4	151.7	3.434	3.442	3.282	3.290
June	4.042	4.045	2.425	2.428	149.8	133.9	3.463	3.465	3.313	3.331
July	4.064	4.071	2.440	2.452	145.3	145.1	3.475	3.487	3.329	3.342
August	4.087	4.079	2.453	2.459	140.2	135.7	3.483	3.493	3.343	3.357
September	4.110	4.111*	2.466	2.480*	127.0	151.3*	3.488	3.523*	3.358	3.372*
October	4.132	4.136	2.478	2.496	134.3	150.9	3.509	3.544	3.375	3.393
November	4.153	4.160	2.490	2.513	144.5	151.1	3.537	3.564	3.393	3.413
December	4.175	4.185	2.502	2.529	153.8	156.3	3.565	3.585	3.411	3.429
January 1989	4.192	4.202	2.521	2.542	158.5	166.5	3.590	3.613	3.431	3.447
February	4.231	4.223	2.543	2.554	154.3	167.9	3.605	3.632	3.451	3.464
March	4.270	4.248	2.565	2.569	148.9	175.1	3.621	3.654	3.472	3.479
April	4.286	4.274	2.574	2.586	149.4	175.7	3.641	3.677	3.492	3.501
May	4.298	4.298	2.584	2.599	143.7	176.2	3.656	3.697	3.512	3.521
June	4.311	4.322	2.593	2.615	136.8	175.8	3.672	3.717	3.533	3.541
July	4.339	4.346	2.610	2.629	139.4	175.1	3.691	3.736	3.552	3.561
August	4.368	4.373	2.627	2.646	139.3	178.5	3.710	3.759	3.570	3.581
September	4.396	4.399	2.645	2.661	140.4	179.5	3.729	3.780	3.588	3.600

Fore. = August Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1988	3164.2	3161.3	442.3	442.6	1025.7	1025.7	1696.2	1693.1	2565.9	2562.5
May	3182.7	3190.9	445.0	447.4	1030.3	1038.2	1707.5	1705.3	2569.7	2574.3
June	3213.5	3231.5	453.6	459.3	1034.8	1046.0	1725.2	1726.1	2587.1	2600.3
July	3226.4	3241.9	450.9	456.5	1039.2	1049.6	1736.3	1735.7	2587.3	2598.1
August	3244.5	3256.8	454.5	456.3	1043.1	1052.1	1746.9	1748.4	2593.5	2598.9*
September	3255.4	3271.2*	455.4	458.2*	1047.3	1057.4*	1752.7	1755.6*	2593.9	2600.1
October	3273.2	3292.3	456.3	463.2	1051.5	1061.7	1765.4	1767.4	2597.8	2608.8
November	3290.8	3311.8	457.1	468.2	1056.1	1065.7	1777.6	1777.9	2601.4	2616.6
December	3308.7	3327.2	458.2	470.1	1061.0	1069.6	1789.5	1787.5	2605.3	2619.5
January 1989	3328.2	3344.5	459.5	470.4	1066.4	1075.3	1802.3	1798.8	2610.4	2622.2
February	3347.5	3361.6	460.6	473.2	1071.1	1080.1	1815.8	1808.3	2613.2	2626.7
March	3365.4	3375.9	461.7	470.1	1075.8	1084.6	1827.9	1821.2	2614.9	2626.8
April	3385.7	3397.8	461.9	470.3	1083.4	1093.1	1840.4	1834.4	2616.5	2632.1
May	3405.8	3416.6	461.5	471.8	1091.2	1099.5	1853.1	1845.3	2617.8	2635.3
June	3429.5	3436.4	464.7	474.5	1099.0	1104.4	1865.8	1857.5	2621.9	2637.5
July	3444.4	3455.4	461.0	474.6	1104.5	1111.5	1878.9	1869.3	2623.3	2638.9
August	3464.3	3474.3	462.9	474.9	1109.9	1117.5	1891.5	1881.9	2628.5	2640.2
September	3482.0	3493.5	464.2	476.8	1114.4	1123.3	1903.4	1893.4	2629.9	2642.7

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1988	131.72	131.72	20.85	20.85	10.5	10.5	81.30	81.30	29.57	29.57
May	132.05	132.83	20.95	20.93	10.3	10.3	81.77	82.42	29.33	29.49
June	132.77	133.62	20.85	21.09	10.6	10.6	82.23	82.91	29.69	29.62
July	132.82	133.80	20.91	20.78	10.4	10.8	82.58	83.35	29.33	29.67
August	133.73	133.47	20.68	20.78	10.8	10.6	82.89	83.55	30.16	29.14
September	134.06	134.05*	20.64	20.83*	10.8	10.7	83.22	83.92*	30.20	29.30*
October	134.40	134.93	20.88	20.89	10.5	10.4*	83.56	84.26	29.96	29.78
November	134.85	135.76	20.79	21.07	10.6	10.6	83.92	84.53	30.14	30.16
December	135.36	136.32	20.75	21.02	10.7	10.7	84.31	84.89	30.30	30.41
January 1989	135.94	136.80	21.21	21.05	10.5	10.7	84.74	85.34	29.99	30.41
February	136.44	137.49	21.03	21.11	10.6	10.8	85.12	85.72	30.29	30.66
March	136.93	137.51	21.06	21.20	10.6	10.6	85.49	86.08	30.38	30.23
April	137.56	138.20	21.38	21.36	10.5	10.5	86.09	86.75	30.09	30.09
May	138.13	138.88	21.49	21.48	10.4	10.5	86.71	87.26	29.93	30.14
June	139.11	139.56	21.57	21.56	10.5	10.6	87.33	87.65	30.21	30.35
July	139.14	140.13	21.55	21.50	10.1	10.6	87.77	88.21	29.82	30.42
August	139.78	140.65	21.57	21.59	10.2	10.5	88.20	88.69	30.01	30.37
September	140.28	141.31	21.79	21.72	10.1	10.5	88.56	89.15	29.93	30.44

Fore. = August Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1988	1.584	1.584	1.093	1.093	1.449	1.449	402.7	399.2	348.2	344.3
May	1.384	1.393	0.996	1.004	1.436	1.436	407.1	398.5	350.2	345.3
June	1.454	1.465	1.098	1.092	1.489	1.493	408.5	395.7	350.6	342.8
July	1.526	1.485	1.105	1.064	1.443	1.420	408.8	398.3	350.3	343.4
August	1.481	1.436	1.073	1.086	1.392	1.447	409.0	396.1	349.9	341.7
September	1.448	1.469*	1.050	1.093*	1.365	1.411*	408.6	400.0*	349.2	344.2*
October	1.459	1.463	1.046	1.075	1.372	1.384	410.4	400.8	349.6	344.0
November	1.465	1.456	1.040	1.082	1.380	1.375	412.4	402.6	350.1	345.0
December	1.462	1.439	1.036	1.055	1.382	1.356	413.9	402.0	350.2	343.6
January 1989	1.458	1.464	1.035	1.063	1.365	1.385	414.4	404.2	349.7	344.6
February	1.450	1.472	1.040	1.084	1.350	1.392	416.8	406.1	350.8	345.3
March	1.446	1.505	1.031	1.089	1.354	1.406	418.4	410.8	351.0	348.4
April	1.440	1.458	1.026	1.052	1.343	1.392	420.2	411.7	351.6	348.0
May	1.443	1.439	1.020	1.028	1.345	1.376	420.6	410.6	351.1	345.9
June	1.437	1.397	1.014	1.009	1.350	1.352	420.3	407.7	349.7	342.3
July	1.409	1.387	1.001	0.986	1.317	1.345	422.5	407.4	350.3	341.2
August	1.402	1.394	0.996	0.972	1.296	1.348	423.9	406.5	350.3	339.3
September	1.396	1.396	0.990	0.968	1.301	1.369	425.3	409.6	350.6	340.8

	Non-Residential Construction		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1988	128.3	126.3	79.1	77.7	195.3	192.2
May	134.8	129.8	78.9	78.3	193.4	190.4
June	135.9	129.6	79.4	78.0	193.2	188.1
July	136.4	129.7	78.9	79.2	193.5	189.4
August	136.9	127.8	78.8	77.5	193.3	190.8
September	136.5	129.4*	78.8	78.8*	193.3	191.8*
October	137.0	129.9	79.0	79.1	194.4	191.8
November	137.4	130.5	79.2	79.0	195.8	193.1
December	137.8	130.1	79.2	79.2	196.9	192.7
January 1989	138.6	131.4	79.6	79.5	196.2	193.3
February	139.8	131.8	80.1	79.8	196.9	194.5
March	141.1	132.6	80.5	80.3	196.8	197.9
April	142.0	133.3	80.9	80.6	197.3	197.8
May	141.5	132.1	81.2	81.0	197.9	197.5
June	140.3	132.4	81.5	81.5	198.5	193.8
July	142.4	133.5	82.1	81.8	198.0	192.1
August	143.3	133.2	82.8	82.1	197.8	191.2
September	144.2	134.5	83.5	82.8	197.6	192.3

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BUSINESS ACTIVITY

	Manufacturers' Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1988	340.9	340.9	117.27	117.27	33.49	33.49	31.07	31.07
May	343.1	340.1	115.10	115.37	31.50	31.52	31.76	31.67
June	344.9	342.0	125.23	125.44	34.57	35.46	31.98	31.82
July	346.3	343.8	118.46	116.11	31.86	36.21	32.07	32.01
August	348.8	345.6	119.63	123.02	32.15	38.51	32.17	32.47
September	350.2	347.3*	120.15	122.41*	32.36	37.16*	32.26	32.65*
October	352.9	348.8	119.11	120.27	32.53	36.45	32.53	32.93
November	355.1	350.3	120.43	119.95	32.93	36.29	32.67	33.11
December	357.3	351.9	121.62	120.53	33.46	36.71	32.82	33.26
January 1989	359.5	353.6	119.85	120.65	32.55	36.60	33.02	33.11
February	361.2	355.6	120.36	119.04	32.93	35.48	33.20	33.24
March	363.0	357.2	121.45	119.11	33.14	35.69	33.38	33.39
April	365.6	358.9	121.89	118.86	33.48	35.78	33.46	33.51
May	368.1	360.9	122.53	119.24	33.65	35.26	33.55	33.50
June	370.6	363.3	122.76	119.01	33.92	34.41	33.63	33.59
July	372.3	365.5	122.50	118.43	33.98	34.06	33.70	33.68
August	374.5	367.8	121.89	120.26	33.91	34.13	33.83	33.79
September	376.8	369.7	123.26	120.14	33.84	33.96	33.96	33.90

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1988	723.7	723.7	8.47	8.47	135.4	135.4	82.6	82.7
May	728.4	725.8	8.37	8.38	136.1	136.1	82.9	82.9
June	732.0	731.5	9.07	8.72	136.6	136.5	83.1	83.0
July	736.1	733.7	8.94	8.66	137.3	137.9	83.3	83.6
August	740.3	736.6*	8.63	9.03	137.0	138.2	83.0	83.7
September	744.6	740.4	8.65	8.94*	137.6	138.5*	83.2	83.7*
October	748.7	743.7	8.70	8.79	138.2	138.8	83.4	83.8
November	753.5	748.9	8.75	8.85	138.6	139.3	83.5	84.0
December	758.1	752.8	8.75	8.92	139.0	139.6	83.7	84.0
January 1989	761.9	756.9	8.83	9.03	139.5	139.9	83.8	84.1
February	765.7	761.3	8.89	9.08	140.0	140.1	83.9	84.1
March	768.5	765.2	8.95	9.15	140.5	140.5	84.1	84.3
April	773.6	768.9	9.15	9.13	141.1	140.9	84.2	84.4
May	781.0	773.5	9.02	9.06	141.3	141.1	84.2	84.4
June	788.5	779.6	8.96	9.11	141.5	141.3	84.1	84.3
July	793.4	784.4	9.11	9.15	141.6	141.5	84.0	84.3
August	796.0	789.2	9.19	9.22	141.7	141.6	83.9	84.2
September	798.5	795.3	9.26	9.27	141.6	141.7	83.7	84.0

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1988	117.2	117.2	107.0	106.9	105.6	105.6	120.1	120.5
May	117.5	117.6	107.4	107.4	106.1	106.1	120.6	121.0
June	117.9	118.0	107.8	107.8	106.5	106.5	121.0	121.4
July	118.3	118.5	108.2	108.3	106.9	106.7	121.4	121.9
August	118.8	119.0	108.7	109.1	107.3	107.1	121.8	122.4
September	119.3	119.5*	109.2	109.5*	106.3	107.0	122.3	122.8
October	119.7	119.9	109.6	109.8	107.5	108.3	122.6	123.1
November	120.1	120.2	110.0	110.0	107.7	108.0	122.9	123.4
December	120.5	120.6	110.3	110.2	107.7	108.2	123.2	123.8
January 1989	121.0	121.1	110.8	110.7	108.3	108.5	123.7	124.3
February	121.6	121.5	111.3	111.0	108.9	108.8	124.3	124.6
March	122.0	121.9	111.6	111.3	109.5	109.2	124.9	125.1
April	122.7	122.4	112.2	111.7	110.1	109.5	125.4	125.6
May	123.4	123.0	112.8	112.1	110.7	110.0	125.8	126.1
June	124.1	123.7	113.4	112.5	111.3	110.4	126.2	126.6
July	124.6	124.3	113.8	113.0	112.0	110.7	126.7	127.2
August	125.2	125.0	114.3	113.6	112.5	111.2	127.1	127.7
September	125.8	125.6	114.8	114.1	111.6	111.6	127.5	128.3

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1988	123.3	123.4	109.3	109.3	115.5	115.5	133.3	133.4	115.6	115.1
May	123.9	124.0	109.4	109.5	116.1	116.2	133.8	134.1	116.2	115.4
June	124.2	124.3	109.9	109.9	116.4	116.3	134.3	134.5	116.5	115.4
July	124.7	124.8	110.1	110.2	116.8	116.9	134.8	135.0	116.7	116.0
August	125.1	125.3*	110.3	110.4*	117.1	117.4*	135.4	135.6*	116.9	115.9
September	125.5	125.8	110.4	110.6	117.4	117.9	136.0	136.2	117.0	116.2*
October	126.0	126.2	110.9	110.7	117.9	118.3	136.5	136.7	117.4	116.5
November	126.5	126.6	111.2	111.1	118.4	118.5	136.9	137.2	117.8	116.7
December	127.0	127.0	111.5	111.4	118.8	118.8	137.3	137.8	118.2	117.0
January 1989	127.5	127.6	111.7	111.7	119.5	119.3	138.1	138.4	118.5	117.3
February	128.1	128.0	111.9	112.0	120.0	119.7	138.8	138.9	118.8	117.6
March	128.7	128.5	112.1	112.2	120.5	120.2	139.5	139.5	119.2	117.9
April	129.4	129.1	112.4	112.5	121.4	120.7	140.1	140.2	119.5	118.3
May	130.1	129.7	112.7	112.8	122.5	121.3	140.7	140.8	119.8	118.7
June	130.8	130.3	113.0	113.1	123.6	122.0	141.3	141.5	120.2	119.1
July	131.3	130.9	113.3	113.4	123.8	122.7	142.0	142.2	120.6	119.4
August	131.8	131.6	113.6	113.7	124.0	123.4	142.7	142.9	121.0	119.8
September	132.4	132.2	113.9	114.0	124.2	124.0	143.4	143.6	121.3	120.2

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1988	-10.27	-10.27	192.8	192.5	4778	4783	3979	3969	-18.3	-23.3
May	-10.93	-9.97	192.6	191.1	4806	4822	3985	3985	-19.6	-29.6
June	-10.10	-13.26	194.9	193.7	4830	4854	3995	3998	-29.1	-34.1
July	-10.76	-9.53	194.0	192.7	4869	4876	4011	4000	-26.2	-29.2
August	-10.59	-10.80*	194.5	193.4	4885	4901	4011	4004	-23.0	-25.6
September	-10.42	-11.93	195.3	193.6*	4908	4921	4013	4008	-20.1	-23.2
October	-10.36	-11.56	194.7	194.2	4934	4946	4024	4018	-20.0	-17.8
November	-10.30	-11.11	194.0	194.4	4965	4974	4040	4031	-18.6	-14.3
December	-10.24	-10.68	193.8	193.7	4997	4993	4056	4033	-18.3	-12.8
January 1989	-9.56	-9.43	193.9	194.1	5034	5032	4070	4048	-19.7	-13.9
February	-9.27	-9.27	192.6	194.0	5065	5075	4075	4073	-21.2	-14.6
March	-8.86	-8.53	192.5	194.4	5097	5106	4081	4082	-22.8	-10.3
April	-8.96	-8.50	193.1	193.6	5128	5130	4089	4084	-27.3	-14.9
May	-8.94	-8.96	193.6	193.1	5159	5153	4101	4087	-30.5	-16.1
June	-8.90	-9.28	193.0	193.0	5189	5188	4112	4098	-33.1	-18.4
July	-8.98	-9.11	192.5	193.3	5220	5210	4120	4096	-31.5	-20.1
August	-9.15	-8.45	192.9	192.6	5241	5240	4124	4103	-30.0	-21.9
September	-8.92	-8.14	192.7	192.5	5262	5285	4127	4119	-28.5	-24.4

	Currency Index		Adjusted Profits		30-Year Government Bonds		New York Composite	
	Fore.	C.E.	Fore.	C.E.	Fore	C.E.	Fore.	C.E.
April 1988	88.95	88.95	181.4	183.4	8.95	8.95	148.46	148.46
May	89.74	89.74	180.9	183.9	9.23	9.23	144.99	144.99
June	92.58	92.58	182.5	196.4*	9.00	9.00	152.72	152.72
July	95.65	96.53	176.5	198.5	9.23	9.14	150.65	152.12
August	96.20	98.29	170.4	192.6	9.25	9.32	151.93	149.30
September	96.86	97.91	169.3	190.3	9.11	9.06	153.24	154.62*
October	93.27	96.21	170.5	193.4	9.22	8.83	153.06	161.24
November	89.42	94.25	173.3	198.8	9.53	8.74	151.47	165.45
December	92.41	91.67	176.2	200.4	9.86	8.68	150.16	167.96
January 1989	93.12	91.28	175.0	202.6	10.04	8.70	149.23	169.44
February	93.76	90.24	172.9	204.5	10.16	8.81	147.65	167.88
March	93.62	91.65	170.8	203.6	10.31	8.78	146.16	168.71
April	93.74	92.89	169.5	202.1	10.50	8.84	142.29	168.31
May	93.91	94.26	169.0	201.1	10.43	8.99	139.63	164.68
June	93.75	95.83	170.3	194.6	10.59	9.10	139.98	156.06
July	94.83	95.21	171.5	196.3	10.65	9.17	140.42	156.22
August	96.27	94.43	171.1	196.5	10.61	9.38	143.57	152.88
September	93.60	93.82	171.9	192.0	10.52	9.45	146.71	150.49

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1988	275.8	275.8	770.2	770.1	2991.9	2990.9	6.87	6.87	6.21	6.21
May	276.7	276.7	770.1	770.2	3003.7	3002.2	7.09	7.09	6.56	6.56
June	277.8	277.8	776.4	776.5	3018.1	3016.5	7.51	7.51	6.71	6.71
July	280.3	280.8	783.5	782.4	3028.9	3026.1	7.64	7.75	7.05	6.99
August	282.3	281.8	789.6	782.5	3043.5	3032.0	7.81	8.01	7.16	7.36
September	284.4	282.5*	795.5	784.0*	3058.2	3036.8*	7.96	8.19	7.27	7.43
October	286.0	283.8	799.4	787.0	3076.3	3048.4	8.10	8.15*	7.36	7.40*
November	287.2	285.4	802.6	791.4	3094.0	3062.8	8.16	8.12	7.42	7.36
December	288.4	286.7	803.7	795.3	3112.5	3077.9	8.22	8.18	7.48	7.35
January 1989	290.3	288.0	808.5	798.6	3133.4	3093.3	8.20	8.23	7.40	7.39
February	292.5	289.1	814.9	801.4	3151.2	3108.8	8.23	8.27	7.35	7.43
March	294.6	290.2	821.3	805.3	3169.4	3123.9	8.26	8.20	7.36	7.40
April	296.3	291.5	824.6	808.6	3185.2	3139.5	8.53	8.46	7.64	7.55
May	297.6	292.7	827.0	811.9	3207.2	3155.2	8.86	8.55	8.03	7.62
June	298.9	294.0	829.5	815.3	3228.9	3170.9	9.19	8.69	8.30	7.81
July	300.5	295.5	835.1	819.4	3246.5	3189.9	9.25	8.75	8.20	7.85
August	302.7	297.1	840.0	823.9	3262.7	3209.0	9.11	8.83	7.92	7.88
September	304.9	298.8	844.8	828.3	3278.8	3228.3	9.05	8.86	7.63	7.91

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1988	9.67	9.67	7.81	7.81	6.86	6.86	6.92	6.92	8.50	8.50
May	9.90	9.90	7.91	7.91	7.19	7.19	7.24	7.24	8.84	8.84
June	9.86	9.86	7.78	7.78	7.49	7.49	7.51	7.51	9.00	9.00
July	10.02	9.96	7.88	7.76	7.73	7.82	7.86	7.94	9.42	9.29
August	10.08	10.11	7.93	7.79	7.92	8.26	8.03	8.35	9.50	9.84
September	10.15	9.82	7.96	7.66	8.05	8.17	8.14	8.23	9.50	10.00
October	10.20	9.61*	8.01	7.60*	8.15	8.12*	8.26	8.22*	9.56	10.00*
November	10.23	9.50	8.00	7.51	8.22	8.05	8.35	8.09	10.00	10.00
December	10.26	9.46	8.03	7.44	8.30	8.08	8.39	8.15	10.00	10.00
January 1989	10.39	9.50	8.15	7.48	8.30	8.15	8.43	8.23	10.00	10.00
February	10.46	9.59	8.20	7.58	8.34	8.25	8.45	8.34	10.00	10.00
March	10.50	9.48	8.23	7.50	8.40	8.22	8.51	8.30	10.00	10.00
April	10.78	9.52	8.42	7.53	8.59	8.46	8.62	8.53	10.00	10.26
May	10.93	9.73	8.59	7.69	8.82	8.59	8.93	8.65	10.46	10.50
June	11.10	9.80	8.66	7.72	9.15	8.75	9.23	8.84	10.95	10.50
July	11.01	9.87	8.57	7.76	9.26	8.84	9.30	8.93	11.00	10.73
August	10.90	10.01	8.43	7.95	9.10	8.80	9.16	8.91	10.87	10.75
September	10.78	10.09	8.35	7.98	8.98	8.75	9.05	8.86	10.50	10.75

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